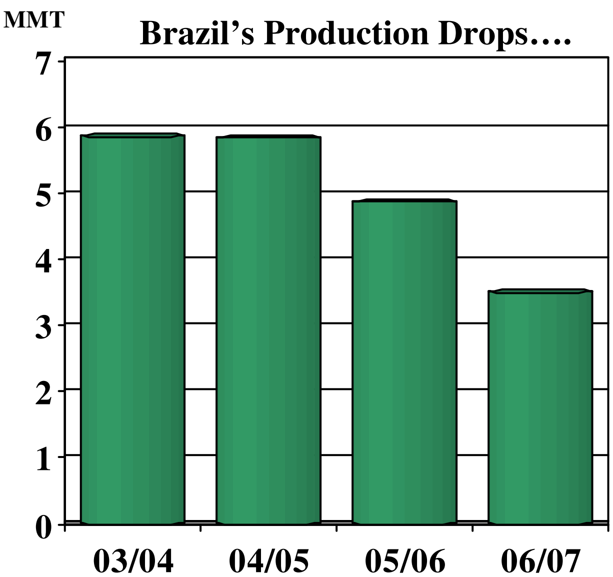
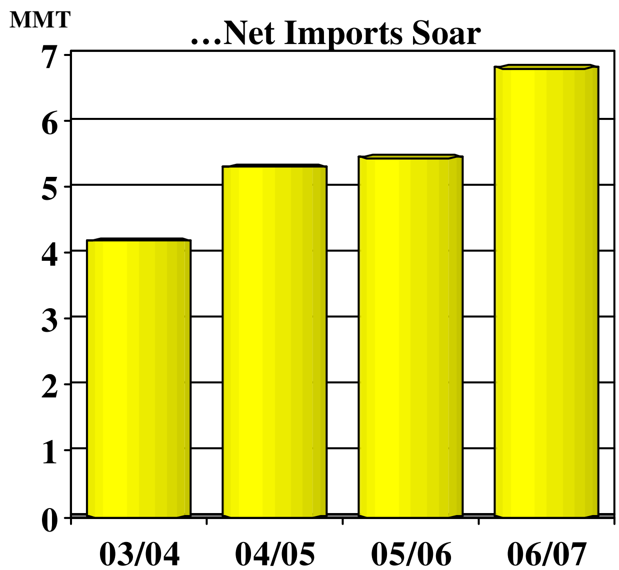
WHEAT: WORLD MARKETS AND TRADE

MONTHLY HIGHLIGHTS:

Brazilian Wheat Imports to Climb to 6-Year High: With sharply lower production this year, Brazil is expected to boost imports and become the world's second largest market after Egypt. Production is expected to fall as a result of smaller area. Returns to farmers have been poor, reducing the attractiveness of planting wheat, and this has been exacerbated by dry conditions in some areas. Also, strong competition from imported flour/pre-mix flour supplies from Argentina has also helped depress wheat prices. These imports have been climbing steadily and have nearly doubled during the past 5 years to around 400,000 tons (grain equivalent). In addition to necessitating larger imports, tight domestic supplies will likely curtail exports by Brazil, which in 2005/06 were about 750,000 tons and were facilitated by government support.

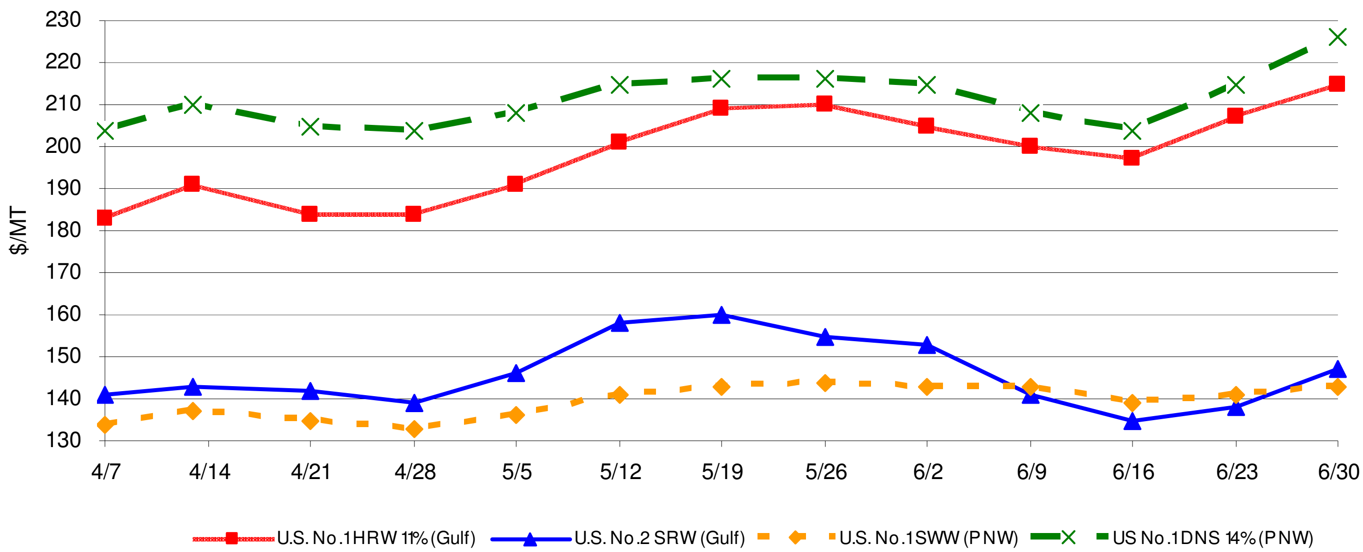




PRICES:

Domestic: Hard and soft wheat prices diverged in June reflecting differing supply situations between classes. For hard wheat, prices surged on tight supplies of Hard Red Winter (HRW) and deteriorating crop conditions of the Hard Red Spring (HRS) crop. For the month, HRS prices climbed $11 per ton and HRW prices were up $10 per ton. For soft wheat, however, production prospects looked favorable, which pressured prices. For the month, Soft Red Winter (SRW) prices fell $6 per ton while Soft White Wheat (SWW) prices were unchanged.

U.S. Weekly FOB Export Bids



<u>TRADE CHANGES IN 2006/2007</u>

Selected Exporters

- **Australia** is down 1.5 million tons to 17.5 million as production is reduced this month due to continued dryness.

- **Canada** is up 500,000 tons to 18.5 million on very large exportable supplies and strong recent sales to India.

- **China** is up 1.0 million tons to 2.0 million as larger production is expected to allow greater exports of feed-quality wheat to nearby markets.

- **Turkey** is down 500,000 tons to 2.0 million as smaller production and a lower quality crop is expected to reduce the amount of flour exports.

- **Ukraine** is up 1.0 million tons to 2.5 million with the harvest expected to be larger than previously anticipated.

Selected Importers

- **Brazil is** up 600,000 tons to 6.8 million--a 6-year high--as sharply reduced production necessitates increased imports.

- **China** is down 800,000 tons to 700,000 tons. Production is expected to reach a 7-year high, reducing the need for imports.

- **Turkey** is up 500,000 tons to 700,000 on smaller domestic production and increased need to import high quality supplies.

- **United States** is up 100,000 tons to 2.8 million, the highest in 5 years. Tight supplies of hard wheat are expected to result in larger imports from Canada.

TRADE CHANGES IN 2005/2006

Selected Exporters

- **Argentina** is raised 300,000 tons to 7.5 million due to stronger than anticipated late-season exports.

- **China** is raised 300,000 tons to 1.4 million on recent large shipments of wheat for feeding to Philippines.

- **Turkey** is raised 400,000 tons to 2.9 million with strong exports of flour.

- **Ukraine** is raised 500,000 tons to 6.0 million. Despite the prospects of a short new crop, shipments during the last few months of the marketing year were larger than expected.

Selected Importers

- **Iraq** is raised 400,000 tons to a record 4.7 million with strong late-season shipments from Canada.